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POLITICAL OVERVIEW

Mexico

President de la Madrid continues to face a political situation of unprecedented complexity as a result of Mexico's economic crisis. His key task is to apply necessary austerity measures to restore Mexico's economic health while maintaining the balance of interest groups that has ensured Mexico's stability for many years.

Since the Revolution of 1910, the Mexican political system has proven to be one of extraordinary resiliency. Mexico has avoided the coups and upheavals endemic to other Latin nations. Much of Mexico's stability is due to the consensus-building nature of its political system, the all-encompassing dominant position of the long-ruling Institutional Revolutionary Party (PRI), and the absence of major political opposition from left or right to continued PRI rule. The ongoing economic crisis represents an unusual challenge to the Mexican political system, however, and must be dealt with competently if the system as we know it is to survive.

President de la Madrid is off to a promising start. He has announced an economic program of strict austerity, has cut the public sector budget, and has begun an anti-corruption campaign of potentially significant proportions. However, the successful implementation of his austerity program over the long term will require a political tour de force on the part of the new president. The austerity measures will pinch labor, the peasants, the poor, the entrepreneurs and others who have provided the consensus which is the basis for Mexico's continued stability. President de la Madrid must find a way to hold this coalition together while taking resolute action that will meet Mexico's debt service obligations.

Although the current crisis will place serious strains on the system, some demonstrations and other incidents are likely. Two recent unauthorized demonstrations serve as a warning of social tensions. We believe Mexico should continue to experience reasonable stability over the medium term. The role of the Mexican armed forces will be important in providing the backing for the President's actions. De la Madrid appears to have their strong support. Thus far, he has also demonstrated keen political acumen and considerable economic skills in preserving the coalition of key interest groups essential to continued Mexican stability.

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